

## **202 KAR 9:010. Procedure for selling guaranteed security instruments.**

RELATES TO: KRS 247.942-247.978

STATUTORY AUTHORITY: KRS 247.946(15)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 247.946(11) permits the corporation to sell at public or private sale, all or any part of a guarantee made by the U.S. Government as security for a loan made by the corporation. This administrative regulation establishes the procedure for selling these instruments to eligible investors.

Section 1. Definitions. (1) "Corporation" is defined in KRS 247.942.

(2) "Investor" means;

(a) A lending institution as defined in KRS 247.942;

1. Chartered to do business in Kentucky by the Commonwealth of Kentucky, or by an agency of the U.S. government; and

2. Maintaining an office in Kentucky;

(b) A broker-dealer registered or authorized to do business as a brokerage firm that engages in the business of trading and selling securities; or

(c) Any agency created or authorized by the Agricultural Credit Act of 1987 as amended (12 U.S.C. 2279aa et seq.) or any other federally chartered instrumentality of the U.S. created by Congress to establish a secondary market for agricultural and rural development loans.

Section 2. Requirements for an Investor. Any investor wishing to purchase any guaranteed portion of a loan shall submit the following for the corporation's review:

(1) A copy of its annual audited financial reports, including accompanying schedules;

(2) Year-to-date quarterly financial statements;

(3) Documentation authorizing the investor to do business in Kentucky, including licenses and if applicable, certification of good standing from the Secretary of State;

(4) Resumes of the principals of the Investor with whom the corporation will be dealing directly and names and addresses of Kentucky institutions or Kentucky agencies with whom an investor has completed similar actions to those they wish to conduct with the corporation;

(5) A copy of a standard form or other documents used by Investor to purchase guarantees made by the U. S. Government; and

(6) The most current weekly report of published rates based upon the length of the loan.

Section 3. Approval Procedure of the Corporation. Approval of eligible Investors: (1) Upon the receipt of all requested documentation the corporation at its next regularly scheduled board meeting shall render an opinion on approval of the Investor which shall remain in effect for one (1) calendar year from the date of the board's decision. The corporation may extend the approval of the Investor for no longer than ninety (90) days prior to the end of the anniversary of approval.

Section 4. Renewal Approvals by the corporation: (1) In order to obtain an extension of the approval of the corporation the Investor shall provide all of the items previously enumerated in Section 2 of this administrative regulation within ninety (90) days from the end of each fiscal year.

Section 5. (1) Upon the corporation's receipt of a conditional commitment from a U.S. governmental agency guaranteeing the corporation's loan to a borrower, the corporation shall send approved Investors notification of the conditional commitment and shall seek from the

approved Investor within three (3) business days the following:

- (a) A quotation that includes rate and terms for the borrower;
- (b) The price to be paid by the investor to the corporation for the guarantee; and
- (c) Pricing associated with servicing of the corporation's loan.

(2) The corporation upon receipt of this information from any approved investor shall make a decision of which approved Investor, if any, to utilize in that specific instance. (31 Ky.R. 651; Am. 933; eff. 11-10-2004.)